

CONFIDENTIAL

ER 10-5443

11 JUL 1958

MEMORANDUM FOR: Director of Central Intelligence
THROUGH: Acting Deputy Director/Intelligence
SUBJECT: Comment on July 1958 Fortune Editorial,
"The Russian Recession"

1. This memorandum is for information only. It is in response to your request of yesterday for comment on the subject editorial. Fortune makes four key assertions:

a. Soviet GNP is scarcely growing at all; industrial production increased only about 6 percent in 1957 and the rate is probably still falling.

b. Industrial labor productivity in the USSR has fallen from 6 percent a year in the 1950-55 period to 3 percent a year today.

c. Soviet agriculture is having a second bad year; the virgin lands gamble has been a disastrous failure.

d. State investment in non-housing facilities grew 6 percent in 1957 and the planned rate of increase for 1958 was only 4 percent; further these figures are in rubles which must be adjusted downward "to allow for the recent inflation in the USSR."

CONFIDENTIAL

SUBJECT: Comment on July 1958 Fortune Editorial

2. Our best estimates of Soviet economic development, keyed to Fortune's four assertions are:

a. Because of a decline in agricultural output, Soviet GNP increased only 6 percent in 1957, and our preliminary estimate for 1958 is for an increase of 7 to 8 percent. The ORR index of industrial production shows an annual rate of increase of 9 to 10 percent for 1956 and 1957. We have not yet made an estimate for 1958. The 1965 goals recently announced by the Soviets for key commodities imply a future rate of growth of slightly better than 10 percent annually.

b. It is true that Soviet industrial labor productivity has not maintained the annual rates of increase achieved in the 1950-55 period (6.5 to 7.4 percent). However, productivity increased 5.8 percent in 1957, and should at least maintain this rate in 1958. This is far above Fortune's 3 percent estimated for 1958.

c. It is not correct to say that Soviet agriculture is having its second successive bad year or that the virgin lands gamble has been a disastrous failure. The 1957 harvest did not equal the record harvest of 1956, but it was a thoroughly respectable one. Sugar beet output was at an

SUBJECT: Comment on July 1958 Fortune Editorial

all time high and grain output was as large as in any postwar year except 1956. As of now, we expect that the 1958 harvest will be greater than the one in 1957. Although bad years in the new lands are expected, even by the Soviet leaders, its output has made significant contributions to Soviet grain supplies. The new lands accounted for more than 20 percent of the Soviet grain harvest in 1956 and almost 15 percent in 1957. In addition, it has tended to even out year-to-year fluctuations in the size of the harvest.

d. Soviet state investment in non-housing facilities grew 6.7 percent in 1957 compared with 1956 (not 8 percent as Fortune claimed). In 1958, we estimate an increase of 7.9 percent over 1957 (not 4 percent as Fortune estimates).

We are unaware of "recent inflation in the USSR" which would require downward adjustment of investment data.

3. In summary, the Fortune article is a gross distortion of recent economic trends in the Soviet Union. Informal contact with Dmitri Shimkin, to whom Fortune attributes their estimates, reveals his non-agreement with the article's conclusions.

OTTO E. GUTHIE
Assistant Director
Research and Reports

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FORM NO. 237
1 APR 55

Replaces Form 30-4
which may be used.

(40)
U. S. GOVERNMENT PRINTING OFFICE : 1955-O-342531

DRAFT

*Here is undoubtedly a**undoubtedly
The noble talent*

17 July 1958

Dear C. D:

~~Congratulations on~~ *T* the editorial in the July issue
of FORTUNE. ~~This scholarly~~ *of* unmasking ~~of~~ Soviet economic

correct I shall have to weakness ~~is~~ a major contribution to the cold war. ~~It is~~
~~born between firing~~ my entire economic staff and recall
~~ing~~ our national estimates of the ~~few~~ *last* years.

A point which strikes me sorely is that while you
are apparently tolerant of my contributions to Soviet
legend, you are less tolerant of State Department "errors."
I feel that in this instance brothers should be treated
equally.

~~I trust FORTUNE will continue its study on Russia~~
~~and will publish again on the subject in the near future.~~

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~~perhaps~~ our specialists ~~could~~ sit down with yours and
Agree out ~~review~~ the facts on the Soviet economy.

would
from which really
help us to completely
contempt that would today,

10-5540

DRAFT

17 July 1958

Dear C. D:

Congratulations on the editorial in the July issue of FORTUNE. This scholarly unmasking of Soviet economic weakness is a major contribution to the cold war. I am torn between firing my entire economic staff and recalling our national estimates of the ^{last} few ~~last~~ years.

A point which strikes me sorely is that while you are apparently tolerant of my contributions to Soviet legend, you are less tolerant of State Department "errors." I feel that in this instance brothers should be treated equally.

I trust FORTUNE will continue its study on Russia and will publish again on the subject in the near future. Seriously, however, before the next article is written, perhaps our specialists could sit down with yours and review the facts on the Soviet economy.

| SENDER WILL CHECK CLASSIFICATION TOP AND BOTTOM | | | | | |
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| 2 | Room 1128 - M Bldg | | | | |
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| Remarks: The Director requested you read the attached and prepare for his signature a short, <u>humorous</u> letter to C. D. Jackson, pulling Jackson's leg a little bit. He suggested you incorporate the thought "it is very helpful in the cold war to draw comparisons between the U.S. and Russia, pointing out that these Russians are economic weaklings, etc." <i>2-2-58</i> <i>V.P. of Timed...</i> | | | | | |
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1 APR 55

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which may be used.

(40)
U. S. GOVERNMENT PRINTING OFFICE : 1955—O-342531

July 1958

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EDITORIAL

The Russian "Recession"

While the U.S. economy is showing new signs of strength, the economy of the Soviet Union is in serious trouble. The evidence for the former statement may be found in *FORTUNE's* Business Roundup (see page 37). The evidence for the latter will be detailed below; but first it may be relevant to note that the Soviet economic difficulties, unlike our own, have been a fairly well kept secret. Indeed, many Americans have allowed themselves to be bamboozled into believing all sorts of legends about a prodigious Soviet economic growth that will enable the Russians to surpass us soon, at least in industrial production. Nikita Khrushchev's repeated assertions to this effect—"I don't know about the time, but the lines are bound to cross"—have not been challenged in many places. Allen Dulles, the Director of the U.S. Central Intelligence Agency, contributed to the legend with a speech delivered in April, in which he cited, without challenging, the Russians' claim that their industrial production was up 11 per cent in the past year. Worse yet, the U.S. State Department recently credited them with "an average increase of possibly as much as 7 per cent yearly in gross national product." Statements like this, coming at the bot-

tom of a U.S. recession, seemed to lend an especial urgency to the appeals of Americans who wanted the federal government to "do something" drastic about the slowdown in U.S. business activity. The logic was always a bit cloudy, but somehow or other it appeared that the Russians' relentless economic growth provided an argument for desperate measures here—for big tax cuts and public-works projects, at least. The brightening in our own economic situation will presumably silence this talk now. In any case, the talk was scarcely in line with the facts about the Soviet economy.

Soviet industrial production is not growing by 11 per cent or any such awesome figure, and Soviet G.N.P. is scarcely growing at all. There are serious distortions and imbalances in the Soviet economy. It seems likely, in fact, that Soviet economic difficulties are responsible for the bizarre performance put on by Khrushchev in the matter of trade and aid.

Consistency has never been his strong point, of course; his record has been that of a master improviser, of a man who will embrace any eternal principle that serves his immediate requirements. But in his statements on Yugoslavia and American aid he

has got his principles tangled almost comically. First, he denounced the Yugoslavs for accepting American aid, which, he asserted, has political strings attached to it. Then he demonstrated that Soviet aid has some strings attached when he unilaterally canceled a \$285-million credit to Tito, who is again out of favor in Moscow. At about the same time, Khrushchev dispatched a note to President Eisenhower suggesting some American aid for the U.S.S.R.—in the form of credits to be used for the purchase of consumer-goods manufacturing equipment. But he did not explain why American dollars were less tainted in his hands than in Tito's; nor did he explain why the faltering front-runner in a race should have to help out a rival supposedly about to pass him.

The fact is that Khrushchev's economy needs all the help it can get. The pressure on him are clear enough, in any case.

One part of his problem is the declining rate of growth in Soviet industrial production. It was gaining by 9 per cent a year in the early 1950's, about 8 per cent in 1956 and about 6 per cent last year; the rate is probably still receding somewhat. The earlier growth rates reflected the recovery from wartime dislocation, and they were mad

possible by stripping the farms of manpower and moving it into urban industry. Gains based on these special situations could not be long sustained, as *FORTUNE* pointed out in February, 1957 (see "The Crisis of Soviet Capitalism").

The figures cited above are not, of course, the "official" ones. Soviet indexes claim an output growth of 12 per cent a year for 1950-55, and 10 to 11 per cent since. But the indexes suffer from a number of obvious biases (e.g., the Russians give high weightings to the products they produce most of), and in the last few years there have been some internal inconsistencies in the figures. The Russians may simply be lying. *FORTUNE*'s estimates are based on an index constructed from specific production data by Demitri Shimkin, an outstanding American student of the Soviet economy.

No help from labor

What can Khrushchev do to arrest this disturbing decline in growth? It is clear that he can no longer expect much help from increases in the total labor force. The young men and women now coming into the labor force were born during the war years—which means that not many of them were born. (Probably well under two million Soviet citizens will become sixteen this year, against over four million in 1955.) Until the last few years, the government was able to increase the industrial labor force by about 3 per cent a year.

Moreover, it is already clear that Khrushchev's program of industrial decentralization, now a year old, has failed to help. The plan probably had a "political" motivation—i.e., dispersing the influence of Malenkov, which was greatest among the industrial managers. Whatever its origins, it has had an adverse effect on over-all production because it has given local managers a greater vested interest in the success of their immediate operations. They have been failing regularly to meet their obligations to "customers" in other areas—a fact evidenced by the ukase, issued in May, providing fines and jail sentences for delinquent suppliers.

It is important to realize, furthermore, that the Soviet industrial operation is seriously outmoded in several ways. Machinery has been desperately overworked in many industries, and there is apt to be a series of replacement crises soon. And many of the goods produced by Soviet industry are themselves obsolete. The U.S.S.R., for example, still has more manpower invested in the production of peat than it has in the entire oil and gas industries. In terms of ultimate benefit to an economy, a small gain by the U.S. oil industry is more meaningful than any spectacular increases by the Soviet peat industry.

Ideally, the solution to the problem would be an increase in labor productivity. But productivity, too, has been declining. It was rising by nearly 6 per cent a year during 1950-55—a fantastic rate for an industrialized nation. Today, it is not rising by much more than 3 per cent a year.

In order to increase labor productivity, Soviet economic planners have decided on an expansion of their consumer-goods industries. To some extent, of course, the Central Committee's announcement in May of an "offensive" for more consumer goods may be dismissed as simple propaganda. It is certainly not true that Russians will now get more consumer goods just because the party wants to improve their standard of living. But they may get a modest increase in some consumer goods because Khrushchev seems now to have accepted the doctrine—which he denounced as a "rightist" heresy when it was associated with Malenkov—that these goods are an indispensable incentive to workers, and that they have a direct influence on labor productivity. Housing, transportation, food, and clothing are to be provided in somewhat greater measure, because workers need them in order to perform their jobs more efficiently. It is significant that the "shopping list" Khrushchev proposed to the U.S. in his request for credits had a sizable number of entries related to clothing production—e.g., machinery to produce synthetic fibers, plastics, leathers, furs.

The effort to expand the consumer industries has meanwhile cut back the resources available for new investment in heavy industry. This fact is reflected in the lower growth rates claimed for state investment in non-housing facilities: from 15 per cent in 1956, to 8 per cent in 1957, to a planned 4 per cent in 1958. These figures are calculated in rubles, furthermore, which means that they must be adjusted downward to allow for the recent inflation in the U.S.S.R. And so "real" state investment shows little or no gain for 1958; it may even be in decline.

Meanwhile, the push into consumer goods has encountered a separate difficulty, especially in food and clothing. The difficulty lies with Soviet agriculture, which is now apparently having its second successive bad year. Shortages of both animal fodder and bread grains are certain to result. Khrushchev's boast that the U.S.S.R. would overtake the U.S. by 1961-62 now seems impossible of fulfillment. The "virgin lands" gamble, on which he has staked so much of his reputation—overriding the opinion of almost all professional agronomists—has been a disastrous failure. He has infuriated many of the old Stalinists by his attempt to dissolve the Machine Tractor Stations—"the pillars of Bolshevism in the countryside"—and by selling much of the state-owned machinery to the collective farms, in the hope of wresting more cooperation from the Russian peasantry.

The decline in agricultural production is in some ways the most critical problem. The decline has at least offset whatever gains are still being made in industrial production, and put Soviet G.N.P. pretty much on dead center. If Khrushchev attempts to bolster his sagging rate of industrial growth by borrowing still more manpower from agriculture (which he may well do), he is apt to lose as much output in one area as he gains in the other.

The Soviet economy, in short, is sagging badly. Industrial production is no longer growing so rapidly, in part because productivity is also faltering. The economy is unable to turn out the consumer goods it needs to increase productivity, and Soviet agriculture is a drain on the whole economy. The Sixth Five-Year Plan was summarily canceled last year, after it became obvious that its major goals could not be met. A new Seven-Year Plan is now being readied; and while Soviet propaganda will doubtless work hard to disguise the fact, it seems certain that the goals of this new plan will be relatively modest.

Shoes vs. Sputniks

The immediate victims of the economic crisis will be Soviet citizens, of course. We can be certain that Soviet military power will not be affected appreciably. It is important to remember that, even if the Russians are unable to provide their citizens with good shoes and oranges and homes to live in, they are able to send ton-and-a-half Sputniks into space—and we are not, at least not yet. And so there is no occasion for U.S. complacency about the Soviet economic difficulties. But there is also no occasion to exalt the Soviet system, however unintentionally, by careless talk about Russian economic growth. In the foreseeable future, the lines are not going to cross.

Editorial Notes

The Sailors' Not So Snug Harbor

What should be the end purpose of modern management methods? The question has been posed in a rather poignant way by a controversy over the running of the Sailors' Snug Harbor, a 150-acre home for old seamen in Staten Island.

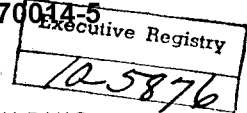
If ever an organization was a challenge, if not an affront, to scientific management, the Sailors' Snug Harbor is it. For over a century it has been run along the lines laid down by Captain Robert Richard Randall, who endowed it with real estate that now is valued at about \$20 million. Randall's idea was to provide a seafaring atmosphere where old sailors could live out their days with self-respect. Every one of the sailors was to be called "captain" by all hands; the use of the word institution was to be forbidden—"harbor" being the preferred word—and the man in charge was always to be one who had gone to sea himself. So it remains today. Under a former mariner, Captain William C. Twigg, the 320 retired seamen at the harbor enjoy an atmosphere that is as ship-like as ever.

The trustees, however, are not seafaring men. Some time ago they decided that the

continued page 8

TIME
INCORPORATED

TIME & LIFE BUILDING
ROCKEFELLER CENTER
NEW YORK 20
EXECUTIVE OFFICES



*You may hear
more of this*

Jul 20, 1968

Please return

Dear Allen:

If I may emerge from the A.W.D. doghouse for a minute and wag my tail in your direction, I would like to say that your letter of the 19th regarding the FORTUNE editorial has been discussed with Hedley Donovan, FORTUNE's Managing Editor.

Hedley quite naturally defends FORTUNE's position, and does not feel that the editorial in question represents such a flat contradiction of your position as you imply.

But on the constructive side, Hedley says:

"But to be more constructive -- I would certainly welcome a chance for FORTUNE people to sit down with some C.I.A. people and:

1. Argue the documentation and reasoning behind our July editorial;
2. Discuss the Soviet foreign economic offensive, on which we plan to do an article sometime this fall."

As to the mechanics of arranging this, since I will probably be in your town for the next several weeks (thanks to an invitation from your brother), I will leave it to our New York office to organize an appropriate meeting at an appropriate time with an appropriate cast of characters.

My hunch is that this subject is one that can't be tossed off between 12:30 and 2:30 P.M. Sounds more like a dinner to me.

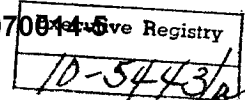
All the best,

C.D. Jackson
C. D. Jackson

Honorable Allen W. Dulles
Main Post Office, Box 1513
Washington 13, D. C.

P.S. This also acknowledges your July 18th message. I return to the doghouse pending a face to face barking session in Washington.

C.D.J.



19 July 1958

ack

C. D. Jackson, Esq.
Time and Life Building
9 Rockefeller Plaza
New York 20, New York

Dear C. D.:

The editorial in the July issue of FORTUNE undertakes the noble task of unmasking Soviet economic weakness. Here is undoubtedly a major contribution and one which would really help us to complacently contemplate the world today. If it is correct, I shall have to fire my entire economic staff and recall our national estimates of the last few years.

A point which strikes me sorely is that while you are apparently tolerant of my contributions to Soviet legend, you are less tolerant of State Department "errors." I feel that in this instance brothers should be treated equally.

Seriously, however, before another such article is written, I suggest our specialists sit down with yours and argue out the facts on the Soviet economy.

Sincerely,

SIGNED

Allen W. Dulles
Director

AWD/ji

1 - DCI

1 - DDI

1 - ER

1 - Reading

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This is not personal.
Merely the T.L.F. organization.
W. G. H. D.

(EXECUTIVE REGISTRY FILE)

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ER

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 :

1. Jack This concludes (C/R & A)
studies on General Donovan for whatever
use the DCI may have.

2. This and the previous study
were done by (C/R & A)

STAT

JR.

6 May 57

File
William J. Donovan

250245

WILLIAM J. DONOVAN

Supplemental Biographical Data

pages 1-4

Additional Quotable Quotes

pages 5-8

Bibliography (Prepared by CIA Library

at request of CI Staff

attached

(This document contains no classified information)

WILLIAM JOSEPH DONOVAN

SUPPLEMENTAL BIOGRAPHICAL DATA

1. Mr. Donovan was awarded an Honorary L. L. D. by Norwich University in 1923.
2. Mr. Donovan resigned as assistant prosecutor at the Nuremberg trials in November 1945.
3. The New York Times 29 April 1948 reported on a speech given by Mr. Donovan to 600 members of the Veterans of Strategic Services (VSS) who met 28 April to form the New York Chapter of VSS. The article stated that chapters had been formed in major cities from coast to coast.
4. Speaking over the Mutual Broadcasting network 18 March 1951 under the auspices of the Committee on the Present Danger, Mr. Donovan in describing Soviet subversive methods said "...we are faced by an enemy against whom we cannot lower our guard--a foe that is always alert and ruthless and tenacious".
5. A biographical sketch of Mr. Donovan in the New York Times stated he had been named in 1955 by President Eisenhower as a member of a seven-man committee to survey the problem of veterans' pensions.
6. New York Times 28 March 1956 published an article quoting from a report issued by Mr. Donovan, in behalf of the International Rescue Committee, exposing the "come home" campaign being carried on by the Soviet Union against refugees in the United States and elsewhere in the free world.
7. In one of the old OSS files an undated document was found titled "Assignment No. 2", bearing the name and containing a summary of data concerning OSS generally and specifically Mr. Donovan,

STAT

most of it taken from other sources listed in an appended bibliography, from which it could be deduced that the document was prepared in 1948 or later. One portion of this document stated "The strength of the Japanese Kwantung Army in Manchuria was the one great intelligence slip-up in Asia during World War II. . . ." On the margin of this page was written in longhand, "In May 1945 Gen. Donovan in Hsian, China, said that he had told Pres. Roosevelt that the Japanese were not strong in Manchuria but Roosevelt would not believe Donovan. I heard Donovan say this." This notation was signed by W. J. Morgan, believed to be identical with the author of The O.S.S. and I, William J. Morgan.

8. In a biographical sketch appearing in the New York Herald Tribune of 10 June 1945, occasioned by announcement of Mr. Donovan's appointment to a post with the German war crimes trials, it was stated that in working his way through college Mr. Donovan "bossed a street gang and ran a baking powder factory, and still had time to play football and run cross country". This same article says he likes baseball, dislikes banquets; likes to read standing up.

9. The attached bibliography prepared by the CIA Library indicates that Mr. Donovan has made many speeches and statements on a variety of topics of national and international interest as of the times they were made. Numerous trips abroad on official and legal business other than the ones previously mentioned are also indicated.

10. The following are excerpts from an article in Readers Digest of October 1947 by Frederic Sondern Jr.:

"'When in serious trouble', said Franklin D. Roosevelt to a White House aide shortly after Pearl Harbor, 'It's a good idea to send for Bill Donovan'. And the President, although William J. (Wild Bill) Donovan had been an outspoken anti-New Dealer and a bitter political foe for

years, reached for a phone. Government leaders, legislators, heads of industries, generals and others with heavy responsibilities have long felt that way about the soft-spoken, gray-haired lawyer, soldier and statesman who in comparative anonymity has played and is still playing so vital a part in the country's destiny.

"'To Donovan', a British intelligence chief once told me, 'nothing is impossible. He doesn't seem to know the meaning of the word'.

"It was typical of 'Wild Bill' to stand like a rock in the face of enemy fire and yell to his men 'They can't hit me, so they can't hit you either. Let's go'.

Donovan won his Congressional Medal near the French village of Landres, when he stayed in the front line after being seriously wounded, and had himself carried round on a stretcher while he reorganized his shattered command.

"'Donovan's high-speed brain', a close friend once said, 'puts in more working time than three normal ones'.

"Whether in a Congressional hearing or before the U.S. Supreme Court, he has never been known to be flustered or lose his temper. He speaks in a low but powerful voice, without apparent histrionics, but with an air of absolute authority.

"Once, at a grueling OSS staff meeting plotting future action against Germany, an irritated young Army officer flared: 'Good Lord, why don't we just drop into Berlin

and assassinate Hitler? It would all be much simpler.'

Donovan raised his eyebrows and looked fixedly at the young man for a moment. 'Well', he said finally, 'why don't we?' He was stopped from trying only by a report from Allen Dulles, his chief agent in Switzerland, that some German officers were going to try it themselves.

"Donovan's influence on his men was enormous. Unlike most brass, he was always available and easy to talk to. He would keep colonels waiting while he consulted with a sergeant who had a bright idea. A flustered aide, on one occasion, was trying to get him to an important meeting at the War Department. But the General was talking to a nondescript little man with a foreign accent. 'Never mind, my boy', said Wild Bill to the aide a half hour later. 'That man is going to jump into Berlin pretty soon. The meeting isn't going anywhere; it can wait'. Donovan's enthusiasm, spontaneity and love of the different was quickly communicated all the way down the line. 'He made me feel', said one agent whom Donovan sent on a particularly dangerous mission into the Balkans, 'as though it was all going to be perfectly simple. He talked to me quietly for half an hour, and I walked out of his office convinced that I could do the job'. That is Donovan's way.

"'You can find out anything you want to know about anybody in the world,' Donovan once announced at a staff meeting, 'if you really want to'.

"'Whether we like it or not, we have many enemies in the world today', says Donovan. 'We must know exactly what they are doing'."

QUOTATIONS

11. The New York Herald Tribune of 10 April 1946 reporting on speech made to the Book and Author Luncheon sponsored by that newspaper and the American Booksellers Association, quoted Mr. Donovan as saying in part:

"I often wonder if the reason we have never had a consistent foreign policy is because we have never had a real intelligence service."

12. Reporting on a talk given by Mr. Donovan 11 April 1946 at a luncheon of the Philadelphia Community Crusade, he was quoted as follows:

Philadelphia Inquirer: "One reason why we never had an effective foreign policy was that we never had an intelligence department. The only true policy for America is to be strong, resolute and know where we are going. This means we must have a strong and effective 'secret service', one that will debate and determine, but not administer policies."

Philadelphia Evening Bulletin: "We need an intelligence service handled by American hands and seen by American eyes to insure the impartial gathering and evaluation of what is going on in other countries." "... we will never maintain the peace without sound information to work on. We have never had an affirmative foreign policy because we never had an intelligence service. We had to wait for other countries to act before we could form a counter-function. It is time we grew up."

Philadelphia Record: "Intelligence work is held in peculiar opinion in the United States. Most people think of it as a cloak and dagger business. In reality,

it is detailed and minute work. Intelligence is that service of information used by all nations to determine the policies and intents of other nations"....."Governmental policies can be no better than information upon which they are based!"....."If we are not able to prevent war because of the atom bomb, let's at least have a knowledge of the facts".

13. The New York Times of 17 September 1946 reported on a speech made by Mr. Donovan to the Advertising Men's Post of the American Legion in which he criticized the then new National Intelligence Agency, calling it a "phony". It quoted him as stating it contained some of the elements which made the intelligence service the "Little Orphan Annie" of the government since time began. He stressed the importance of having an integrated intelligence service to face the Russian threat. He called for a strong intelligence agency as America's first line of defense.

14. The following is from an article datelined Berlin in the New York Times on 18 July 1948 covering an interview given by Mr. Donovan concerning the Berlin blockade while he was in Europe on a private trip (he emphasized he was not commenting officially):

"If the Russians are determined to have war, we might as well have it here as 500 miles back (to the West)", said General Donovan endorsing the idea that a show of force was necessary here to learn Soviet intentions. "I cannot believe the Russians want to fight as long as they can get what they want by other means."

15. The next day, 19 July 1948, the New York Times again quoted Mr. Donovan as follows:

"If she (the USSR) is only bluffing, now is the time to call the bluff. Whatever the Soviet intentions may be

the surest way to find out is for the Western Allies, led by the United States, to take a firm stand on Berlin now."

16. An item in the New York Times 31 May 1949 on the occasion of Mr. Donovan's return from an extended tour of the Near East said:

"Donovan urged President Truman's 'Point 4' plan to develop backward areas be used to combat the spread of Communism in China and other Asiatic countries" and he "...vigorously opposed sending additional military aid to China". Mr. Donovan "...held that by aiding development of these backward countries the United States would achieve a double purpose: it would destroy the conditions on which Communism spreads and at the same time create vast new markets for American businessmen."

17. From an article in the New York Times of 4 March 1950 comes the statement that in an appearance before the House Foreign Affairs Committee, Mr. Donovan, speaking as chairman of the American Committee for a United Europe, said he was "appalled that there was not a clearer understanding among Americans that the outcome of this cold war we are in is just as important to our children and grandchildren as was the outcome of World War II". Speaking for the continuance of Marshall Plan aid, Mr. Donovan called for the same initiative in Asia as undertaken in Europe in 1948.

18. Mr. Donovan is quoted in the New York Times of 5 March 1950 as having told a group of student leaders at the Columbia College Forum on Democracy luncheon the previous day:

"This country's government must be neither too strong for its citizens nor too weak for its preservation. You must impose certain regulations on some citizens in

order to attain security for all citizens. The people of this country should be secure in their persons, in their property and in their privacy."

19. The New York Times on 13 November 1952 quotes Mr. Donovan as stating at a dinner meeting to representatives of the Academy of Political Science:

"The way to prevent World War III is to win the subversive war the Soviets are already waging against us, of which the Korean war is only a part. To do this the American people must understand the nature of Soviet subversion and infiltration."

20. The New York Times of 10 December 1952, reporting on a speech by Mr. Donovan to students at Barnard College, quotes him as suggesting guerilla forces in Communist countries would be cheaper than wars of confinement such as Korea.

SECRET
SECURITY INFORMATION

ANNEX I

SOME OF THE PLANNING GROUPS WITHIN CIA

DD/I

Office of Intelligence Coordination
Planning and Coordinating Staff, Office of Operations
Annual Program prepared by the Office of National Estimates
Production Planning, Office of Research and Reports

DD/P

Planning and Program Coordination Staff
PP Operations Division
FI Plans Staff
PM Operations, Plans and Training Division
TSS Technical Planning Group

DD/A

Research and Planning Staff, Personnel
Policy Planning Staff, Logistics

SECRET
SECURITY INFORMATION

SECRET

ANNEX II

INTER-AGENCY COMMITTEES THAT CAN AFFECT CIA PLANS

Inter-Agency Priorities Committee (sets priorities for clandestine collection).

{Inter-Agency Defector Committee.}

Scientific Estimates Committee.

SECRET

SECURITY INFORMATION

SECRET

ANNEX III

POSSIBLE SUBJECTS FOR CONSIDERATION OF A CIA PLANNING BOARD

Methods for Obtaining Intelligence on the USSR.

Intelligence Support for Covert Operations.

Dissemination to Foreign Governments.

Inter-Agency Production of a Current Intelligence Weekly.

Coordination of External Research.

CIA Participation on Interdepartmental Committees.

Agency Personnel Ceiling.

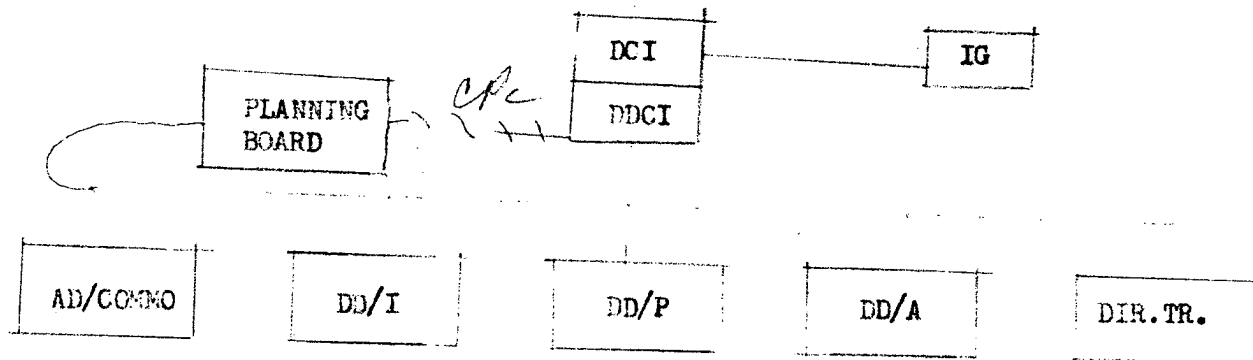
Utilization of Scientific and Technical Intelligence Personnel.

Methods for Collection of Scientific and Technical Intelligence.

SECRET
SECURITY INFORMATION

ANNEX IV

SUGGESTED LOCATION FOR PLANNING BOARD



SECRET
SECURITY INFORMATION

ANNEX V

EXAMPLES OF CONSTITUTION OF CIA PLANNING BOARD PANELS

Methods for Obtaining Intelligence on the USSR
Assistant to DCI for Planning, Chairman



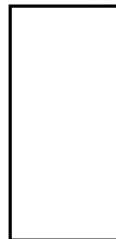
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Agency Personnel Ceiling
Assistant to DCI for Planning, Chairman



Personnel
D/A
DD/P
DD/I
Commo
Training

Inter-Agency Production of a Current Intelligence Weekly
Assistant to DCI for Planning, Chairman



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SECRET
SECURITY INFORMATION

Executive Registry

(60-1262/2)

The Honorable Nelson A. Rockefeller
Governor of New York
Albany, New York

Dear Nelson:

I was delighted to read the clear and forceful statement on the subject of protection against fallout that you presented to the New York State Defense Council. It would be inappropriate for me to comment on some aspects of this statement in my capacity as Director of Central Intelligence, but as a private citizen and a legal resident of New York, I am delighted to see such a sound program being put forward. It is particularly noteworthy that your statement recognizes both the tremendous importance of the fallout problem and the relatively inexpensive nature of the protection against this danger that can be achieved through soundly conceived action.

In addition to the above, however, it is always gratifying to an intelligence officer to see that persons in positions of great responsibility are taking action on the basis of the warnings that we in intelligence try so hard to provide.

Sincerely,

O/DDI:W [redacted] (24 Feb 60)

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Allen W. Dulles
Director

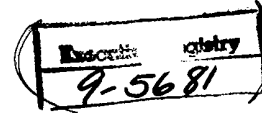
CONCUR:

[redacted]
Deputy Director (Intelligence)

WWW 1 3 ST 6W 58 11 35 WW 60

24 FEB 1960

250303



ROOM 5600
30 ROCKEFELLER PLAZA
NEW YORK 20, N. Y.

July 25, 1957

Dear Allen:

Thank you for your letter of the
sixteenth which I found on my return to
the office from a trip to the Far East.
I was very much interested in learning of
the outcome of Mr. Kidder Smith's visit
at CIA and can't tell you how much I
appreciate all that you and [redacted]
have done for him.

STAT

With very best wishes,

Sincerely,

A handwritten signature in dark ink, appearing to read "Nelson A. Rockefeller".

Nelson A. Rockefeller

The Honorable
Allen W. Dulles
Central Intelligence Agency
Washington 25, D. C.

250317

JUL 16 1957 Executive Registry
9-4647-9

card

Mr. Nelson A. Rockefeller
Room 5600
30 Rockefeller Plaza
New York 20, New York

Dear Nelson:

Further in regard to my letter of 26 June 1957 concerning Mr. G. E. Kidder Smith and his proposed exhibit and project, The Architectural Magnificence of the Muslim World, he visited Mr. [redacted] on 9 July 1957.

The points made by Mr. Smith included a description of the project, a display of some of the pictures which he proposes to use, and an illustration of the general format based on his previous works on Brazil and Italy. He emphasized that he was not seeking Government funds.

The aim of the effort appeared to be twofold; a) to educate the American people on the architecture of the Muslim world, and b) to demonstrate to the Muslims that the West recognizes the contributions of their culture to the architecture of the world. Both of these aims are laudable in that they provide means for increased understanding between peoples.

The interest of the United States Information Agency was so apparent that [redacted] made arrangements for Mr. Smith to see Mr. Hunt Egan, Assistant Director of USIA for the Near East.

Mr. Smith did not indicate that he wished any particular approval or endorsement of his proposal from us, but rather he just seemed to want to tell somebody about it. We think the project has merit, but falls more in the field of interest of USIA than this Agency.

Sincerely,

Signed

ALLEN W. DULLES
Director

O/DD/I: [redacted]
Retyped: [redacted] rc/15 Jul 57

Distribution:

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| 1 - DD/I | |

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MEMORANDUM FOR: Mr. Dulles

Mr. Smith has called
and has arranged to come by his office.

STAT


JAS

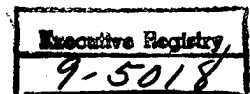
5 July 57

(DATE)

6 JUL 1957

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(47)



30 Rockefeller Plaza
New York 20, N. Y.

ER

Room 5600

July 3, 1957

Dear Mr. Dulles:

In the absence from the country of Mr. Nelson A. Rockefeller, I am acknowledging your letter of June twenty-sixth. As suggested by you, we have advised Mr. Kidder Smith to get in touch directly with

STAT

I know Mr. Rockefeller will be most appreciative of your interest and helpfulness in this matter.

Sincerely,

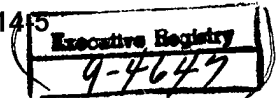

Kershaw Burbank

The Honorable
Allen W. Dulles
Central Intelligence Agency
Washington 25, D. C.

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30 Rockefeller Plaza
New York 20, N. Y.

Room 5600

June 18, 1957

Dear Allen:

You may recall that on December 20, 1955, I wrote you about Mr. G. E. Kidder Smith and his proposed exhibit and book, The Architectural Magnificence of the Moslem World. Shortly after that, because of serious illness in his family, Mr. Smith had to postpone consideration of this project.

He has recently been in touch with me again concerning it and I feel now, as I did earlier, that it has real merit. Inasmuch as you were kind enough to express an interest in the project when I first wrote you about it, I am taking the liberty of bringing it to your attention again. Mr. Smith is anxious to secure the approval and endorsement of the government if possible. I understand that he is not seeking government funds.

Under the circumstances, I wonder if it would be possible for you or someone whom you might designate to meet at a convenient time with Mr. Smith for a discussion of his idea. As I have not mentioned your name to him, your office can advise me directly if such an appointment can be made or if you would prefer Mr. Smith to go through other channels.

With best wishes,

Sincerely,

A handwritten signature in cursive script, appearing to read "N. A. Rockefeller".

Nelson A. Rockefeller

The Honorable
Allen W. Dulles
Central Intelligence Agency
Washington 25, D. C.